

**DUANE MORRIS LLP**  
Nicole E. Grigg (CA SBN 307733)  
negrigg@duanemorris.com  
D. Stuart Bartow (CA SBN 233107)  
dsbartow@duanemorris.com  
2475 Hanover Street  
Palo Alto, CA 94304-1194  
Telephone: 650.847.4146  
Facsimile: 650.847.4151

**DUANE MORRIS LLP**  
Joseph A. Powers (PA SBN 84590)  
Admitted *Pro Hac Vice*  
japowers@duanemorris.com  
Jarrad M. Gunther (PA SBN 207038)  
Admitted *Pro Hac Vice*  
jmgunther@duanemorris.com  
30 South 17th Street  
Philadelphia, PA 19103  
Telephone: 215.979.1000  
Facsimile: 215.979.1020

12 Attorneys for Defendant  
CISCO SYSTEMS, INC.

**DUANE MORRIS LLP**  
L. Norwood Jameson (GA SBN 003970)  
Admitted *Pro Hac Vice*  
[wjameson@duanemorris.com](mailto:wjameson@duanemorris.com)  
Matthew C. Gaudet (GA SBN 287789)  
Admitted *Pro Hac Vice*  
[mcgaudet@duanemorris.com](mailto:mcgaudet@duanemorris.com)  
David C. Dotson (GA SBN 138040)  
Admitted *Pro Hac Vice*  
[dcdotson@duanemorris.com](mailto:dcdotson@duanemorris.com)  
John R. Gibson (GA SBN 454507)  
Admitted *Pro Hac Vice*  
[jrgibson@duanemorris.com](mailto:jrgibson@duanemorris.com)  
Jennifer H. Forte (GA SBN 940650)  
Admitted *Pro Hac Vice*  
[jhforte@duanemorris.com](mailto:jhforte@duanemorris.com)  
1075 Peachtree NE, Suite 2000  
Atlanta, GA 30309  
Telephone: 404.253.6900  
Facsimile: 404.253.6901

**IN THE UNITED STATES DISTRICT COURT  
NORTHERN DISTRICT OF CALIFORNIA  
SAN JOSE DIVISION**

FINJAN, INC., a Delaware Corporation,

Plaintiff,

V.

CISCO SYSTEMS, INC., a California  
Corporation.

### Defendant

Case No.: 5:17-cv-00072-BLF-SVK

**CISCO SYSTEMS, INC.'S REPLY IN  
SUPPORT OF ITS MOTION FOR LEAVE  
TO SUPPLEMENT STEPHEN L.  
BECKER'S EXPERT REPORT ON  
DAMAGES**

Date: September 17, 2020  
Time: 9:00 a.m.  
Courtroom: 3, 5<sup>th</sup> Floor  
Judge: Hon. Beth Labson Freeman

1 Finjan does not dispute that Cisco acted diligently in seeking to supplement Dr. Becker’s  
 2 report with the newly created documents and information related to the Acquisition. Nor does  
 3 Finjan dispute that it was aware of these facts long before they were made public and discovered by  
 4 Cisco. Instead, Finjan’s Opposition is based on its desire to prevent the jury from hearing facts that  
 5 undermine Finjan’s claim for damages. Finjan argues that the Acquisition is irrelevant and  
 6 inadmissible because: (1) the “nature” of the Acquisition “as an acquisition of a patent owner and its  
 7 lawsuits” and the fact that some patents expired; (2) the “financial landscape” at the time of the  
 8 Acquisition due to the COVID-19 pandemic; and (3) the fact Dr. Becker does not change his  
 9 affirmative opinion as a result of the Acquisition. At best, each of these arguments goes to the  
 10 weight, not the admissibility, of the information in Dr. Becker’s supplementation, which can be  
 11 explored through cross-examination. Moreover, in its attempt to convince the Court that the  
 12 Acquisition is irrelevant to damages in this case, Finjan contradicts the positions it took when  
 13 advocating for the admission of the settlement agreements and post-grant proceedings that it deems  
 14 helpful to its damages case. Indeed, the arguments in Finjan’s Opposition would equally bar the  
 15 very evidence on which Finjan’s damages claim is based, which Finjan’s damages expert relies on  
 16 under the “book of wisdom.” Dr. Becker’s supplement provides the complete picture that rebuts  
 17 Finjan’s damages expert. Just as the jury will hear about litigation-influenced license agreements  
 18 and the non-institution of IPRs as part of Finjan’s damages claim – both of which occurred many  
 19 years after the hypothetical negotiation – it must also hear the effective purchase price of Finjan’s  
 20 patents (including the patents-in-suit) that necessarily include all of the rights that would have been  
 21 conveyed at the hypothetical negotiation (plus many more).

## 22 **I. FINJAN’S ARGUMENTS GO ONLY TO THE WEIGHT OF THE EVIDENCE**

### 23 **A. The Acquisition’s Nature and Inclusion of Expired Patents Go To Weight**

24 First, Finjan argues that the “nature” of the Acquisition “as an acquisition of a patent owner  
 25 and its ongoing litigations demonstrates that it is not relevant to the hypothetical negotiation.” Opp.  
 26 at 3. Cisco’s opening brief cited several cases finding that the sale or valuation of the plaintiff  
 27 and/or the patents years after the hypothetical negotiation is relevant to the damages analysis. *See*,  
 28 *e.g.*, *Spectralytics, Inc. v. Cordis Corp.*, 650 F. Supp. 2d 900, 914 (D. Minn. 2009), *aff’d in part*,

1 *vacated in part*, 649 F.3d 1336 (Fed. Cir. 2011); *Comcast Cable Commc 'ns, LLC v. Sprint*  
 2 *Commc 'ns Co., LP*, 262 F. Supp. 3d 118, 144-146 (E.D. Pa. 2017); *Pers. Audio, LLC v. Apple, Inc.*,  
 3 No. 9:09CV111, 2011 U.S. Dist. LEXIS 83746, 2011 WL 3269330, at \*10 (E.D. Tex. 7/29/11);  
 4 *Oracle Am., Inc. v. Google Inc.*, 2012 WL 877125, at \*3 (N.D. Cal. 3/15/12); (citing *Lucent Techs., Inc. v. Gateway, Inc.*, 580 F.3d 1301, 1333–34 (2009)). Finjan ignores these cases.

6 Instead, Finjan cites two District of Delaware cases, *United Access Techs., LLC v. AT&T*  
 7 *Corp.*, 2020 WL 3128269 (D. Del. 6/12/20) (“UAT”) and *In re ChanBond LLC*, 2020 WL 550786  
 8 (D. Del. 2/4/20). *UAT* relates to whether discovery into the funder of litigation is appropriate; it does  
 9 not address the admissibility of the acquisition price of an entity or its patent portfolio. The facts of  
 10 that litigation confirm the distinction between the question of litigation funding versus the relevance  
 11 of an acquisition event. Some of the undersigned counsel is quite familiar with that litigation based  
 12 on their representation of the CenturyLink defendants (CenturyTel and Qwest) in a consolidated  
 13 *UAT* case. There actually was an acquisition event in that litigation (namely, a predecessor sold all  
 14 of its patents to the plaintiff after they had expired), both the AT&T and CenturyLink defendants  
 15 referenced it in their damages reports (and AT&T relied on it), but plaintiff (UAT) did not even file  
 16 a damages *Daubert* motion. Gaudet Decl., ¶¶ 2, 3. In sum, the *UAT* case supports Cisco, not Finjan.

17 Likewise, *In re: ChanBond* (which also relates to a litigation funder) does not support Finjan.  
 18 Although Finjan cites the case for the proposition that the acquisition of a patent holder can never be  
 19 relevant to the hypothetical negotiation, the Court actually distinguished between (i) anything that is  
 20 litigation/settlement-related (whether a specific settlement agreement or an agreement to buy a  
 21 holding company whose only assets are the patents and a potential recovery from ongoing litigation)  
 22 versus (ii) licensing transactions with no litigation history or settlement overtone. *ChanBond*, at \*6.  
 23 The Court found that a licensing transaction is preferred over the litigation/settlement-related  
 24 transaction, as the latter is not as comparable to the hypothetical negotiation. *Id.* In this case,  
 25 however, both damages experts are *already* relying on settlement agreements, and thus the  
 26 *ChanBond* approach that litigation/settlement-related agreements are automatically out does not  
 27 work. Further, this Court has already taken a broad view of relevance to the hypothetical negotiation  
 28 via the “book of wisdom,” including post-grant review proceedings and litigation-induced licenses.

1 Dkt. 640 at 15, 18. Although Finjan argues that the Acquisition agreement “included considerations  
 2 well-beyond the existence of the patents-in-suit,” the same is true of the settlement agreements  
 3 (which are litigation-induced portfolio-wide licenses) that both experts are relying on, and Dr.  
 4 Becker’s analysis takes all of these facts into account.

5 Moreover, there is a supposition in the *ChanBond* Court’s analysis that is untrue in this case.  
 6 Namely, that the transaction “is an agreement between two parties who want to be on one side of  
 7 that transaction, that of the licensor.” *ChanBond*, at \*6. Here, the Acquisition was a market auction  
 8 in which *anyone* could participate – entities that wanted to be a licensor and had no intention of  
 9 practicing the patent *or* entities whose primary motivation was to be a licensee (as they would have  
 10 something equivalent to an exclusive license). Dkt. 683-9 at Item 4. Among that entire pool, the  
 11 maximum value was a reflection of what anyone – including potential licensee entities – would pay.

12 Second, Finjan argues that the Acquisition is irrelevant to a reasonable royalty because “four  
 13 out of five of the patents-in-suit expired between the date of the hypothetical negotiation and the  
 14 [Acquisition].” Opp. at 3. This is a red-herring. It is evident from the public documents that the  
 15 Acquisition conveyed the rights to enforce all of Finjan’s patents (including the expired patents) and  
 16 to collect past and future damages, and the Acquisition price reflects the value attributed to those  
 17 rights. In other words, the Acquisition included all rights that Finjan is asserting against Cisco, and  
 18 these are the same rights the jury will be asked to value at trial. Moreover, if the expiration of  
 19 patents extinguished their relevance, then there would be no trial in this case on 4 of the 5 patents.  
 20 Of course, expiration does not mean irrelevance; rights still exist, including the possibility of  
 21 recovering past damages going back in time prior to expiration if the patent holder has not sacrificed  
 22 those rights. This is because, as the Federal Circuit confirmed, a license is just an agreement not to  
 23 sue; it is not the conveyance of an affirmative right to practice. *TransCore, LP v. Elec. Trans.*  
 24 *Consultants Corp.*, 563 F.3d 1271, 1275 (Fed. Cir. 2009) (“It follows, therefore, that a patentee, by  
 25 license or otherwise, cannot convey an affirmative right to practice a patented invention by way of  
 26 making, using, selling, etc.; the patentee can only convey freedom from suit.”). Expired patents still  
 27 have value in the market transaction. But, if Finjan is correct that expiration means irrelevance, then  
 28 the same could be said about the non-institution IPR decisions in the ’844 and ’494 Patents. Those

1       patents expired three weeks after the Complaint was filed, and the IPR decisions were not until a  
 2       year-and-half later; yet, Finjan persuaded the Court to allow them under the “book of wisdom.”

3           **B.       COVID-19 Does Not Render the Acquisition Irrelevant**

4       Finjan argues that the Acquisition is irrelevant because the “financial landscape of the  
 5       [Acquisition] agreement is vastly different from that of a hypothetical negotiation in 2012 and 2014  
 6       ....” Opp. at 3. As an initial matter, Finjan’s reliance on *LaserDynamics, Inc. v. Quanta Computer, Inc.*, 694 F. 3d 51 (Fed. Cir. 2012), and *Odetics, Inc. v. Storage Tech. Corp.*, 185 F.3d 1259 (Fed. Cir. 1999) – and its suggestion that the mere passage of time between the hypothetical negotiation and a later-executed agreement automatically renders that agreement irrelevant – is belied by Finjan’s reliance on settlement agreements executed as recently as 2018 and 2019 (i.e., four to seven years after the hypothetical negotiation). As for the pandemic, Finjan’s arguments are unsupported by evidence or logic and, at best, they go to weight, not admissibility. Finjan never explains exactly why COVID-19 would have a significant impact on the value of its business. For example, Finjan is not a retail business whose revenue is impacted by a pandemic. Likewise, the postponement of two trial dates by several months within litigations whose tracks (including appeals) can take many years could not change the price substantially. This is why Finjan’s SEC filings make clear the pandemic was *not* an impetus for Finjan’s decision to sell its company and patent portfolio. Dkt. 683-9 at 13-24. In 2018, long before the pandemic, Finjan began meeting with “potential transaction partners” and entities regarding acquiring Finjan, including Fortress. *Id.* Indeed, in 2019, Fortress repeatedly reduced its offer price to acquire Finjan based on its diligence in 2018 and 2019. *Id.* at 13-20. Nevertheless, if Finjan wants to make this excuse to the jury, Finjan can cross-examine Dr. Becker and present its own evidence to establish any alleged financial impact of COVID-19. See Dkt. 640 at 18 (“it is true that the lump sum amount agreed upon in this agreement reflects the parties’ desire to settle multiple lawsuits – but Cisco can address the litigation history behind the ... agreement during cross examination and ensure that the jury is presented with the proper context.”).

26           **C.       The Acquisition Both Rebutts Finjan’s Damages Claim and Supports Dr.  
 27       Becker’s Affirmative Opinion, Making the Acquisition Highly Relevant**

28       Finjan incorrectly argues that Dr. Becker’s supplement is irrelevant because he did not

1 change his opinion as a result of the Acquisition. Data points consistent with an expert's opinion do  
 2 not become irrelevant simply because they support (instead of change) the expert's number; they are  
 3 additional evidence as to why the expert's opinion should be accepted. Unless Finjan stipulates that  
 4 the evidence is already so strong that no reasonable person could dispute Dr. Becker's conclusion,  
 5 then Cisco is entitled to put forth the strongest case available based on the evidence. Thus, while Dr.  
 6 Becker's opinion on the value of a license to Cisco for the patents-in-suit remains the same, the new  
 7 information of the Acquisition provides substantial additional support for this opinion. This alone is  
 8 a sufficient basis for this Court to allow Dr. Becker's proposed supplement. In *City of Pomona v.*  
 9 *SQM N. AM. Corp.*, 866 F.3d 1060 (9th Cir. 2010) (which Finjan cited), the Ninth Circuit found that  
 10 the district court abused its discretion by denying the plaintiff's request to submit a supplemental  
 11 expert report that reflected new information developed after the close of expert discovery. *Id.* at  
 12 1066-69. The Ninth Circuit found that, although the expert's opinion did not change, the level of  
 13 support for his opinion increased based on the new information, which was "critical," and expert  
 14 testimony must "reflect the current state of knowledge." *Id.* at 1067. The new information further  
 15 proves that the opinions of Finjan's expert are misguided and incorrect by orders of magnitude.

16 **II. FINJAN'S REMAINING OBJECTIONS FAIL**

17 Finjan's claim that Dr. Becker's supplementation "serves only to further Cisco's attempts to  
 18 disparage Finjan" is unfounded. Finjan was acquired. The acquirer paid a specific price. These are  
 19 facts, not misrepresentations or disparagements. That these facts cause Finjan to be so embarrassed  
 20 about its outsized damages claim that it would now label these facts as "disparagements" speaks  
 21 volumes. Nor will Dr. Becker's supplementation mislead the jury, confuse the actual issue, waste  
 22 time, or result in undue delay. Two months remain before trial. The supplement is short and based  
 23 on information uniquely known to Finjan, reflecting the culmination of a process that began in 2018.  
 24 Finjan's expert has ample time to prepare a rebuttal to this two-page supplement, and if depositions  
 25 are necessary, they can be done efficiently via videoconference. If Finjan believes it needs to  
 26 examine witnesses regarding the purported financial impact of the pandemic in order to provide  
 27 context for the Acquisition, it can do so, but that does not render Cisco's discussion of the  
 28 Acquisition and Dr. Becker's proposed supplement unduly prejudicial.

1 Dated: August 21, 2020

2 Respectfully submitted,

3 /s/ Matthew C. Gaudet

4 Nicole E. Grigg (CA SBN 307733)  
negrigg@duanemorris.com  
5 2475 Hanover Street  
Palo Alto, CA 94304-1194  
6 Telephone: 650.847.4150  
Facsimile: 650.847.4151

7 L. Norwood Jameson (admitted *pro hac vice*)  
8 Email: wjameson@duanemorris.com

9 Matthew C. Gaudet (admitted *pro hac vice*)  
Email: mcgaudet@duanemorris.com

10 David C. Dotson (admitted *pro hac vice*)  
Email: dcdotson@duanemorris.com

11 John R. Gibson (admitted *pro hac vice*)  
Email: jrgibson@duanemorris.com

12 Jennifer H. Forte (admitted *pro hac vice*)  
Email: jhforte@duanemorris.com

13 1075 Peachtree Street, Ste. 2000  
Atlanta, GA 30309  
14 Telephone: 404.253.6900  
Facsimile: 404.253.6901

15 Joseph A. Powers (admitted *pro hac vice*)  
16 Email: japowers@duanemorris.com

17 Jarrad M. Gunther (admitted *pro hac vice*)  
Email: jimgunther@duanemorris.com

18 30 South 17th Street  
Philadelphia, PA 19103  
Telephone: 215.979.1000  
19 Facsimile: 215.979.1020

20 *Attorneys for Defendant*  
CISCO SYSTEMS, INC.